



LODI CITY COUNCIL
Carnegie Forum
305 West Pine Street, Lodi

"SHIRTSLEEVE" SESSION

Date: November 18, 2008

Time: 7:00 a.m.

For information regarding this Agenda please contact:

Randi Johl

City Clerk

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Informal Informational Meeting

- A. Roll Call by City Clerk**
- B. Topic(s)**
 - B-1 Neighborhood Stabilization Program (CD)
- C. Comments by Public on Non-Agenda Items**
- D. Adjournment**

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Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Neighborhood Stabilization Program

MEETING DATE: November 18, 2008

PREPARED BY: Community Development Department

RECOMMENDED ACTION: Receive a presentation on the Neighborhood Stabilization Program funding.

BACKGROUND INFORMATION: In July of 2008, Congress passed the Housing and Economic Recovery Act of 2008 (HERA) which appropriated \$3.92 billion for the redevelopment of abandoned and foreclosed homes and residential properties to State and local jurisdictions with the greatest need based upon the number and percent of foreclosures, sub-prime mortgages, delinquencies and defaults. The grant program within HERA that provides this funding is the Neighborhood Stabilization Program (NSP).

NSP funding is intended to stabilize neighborhoods by giving State and local jurisdictions the ability to:

- Buy, rehabilitate and resell abandoned and foreclosed homes;
- Demolish existing abandoned and foreclosed homes;
- Rebuild on those demolished and/or vacant properties that were the subject of foreclosure;
- Offer down payment and closing cost assistance to low- to moderate-income homebuyers;
- Reuse properties for affordable rental housing.

In addition, grantees can create "land banks" to assemble, temporarily manage and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging reuse or redevelopment of properties.

San Joaquin County has received an allocation of \$9 million to be shared amongst the local jurisdictions that operate within the Urban County designation for funding from the US Department of Housing and Urban Development (HUD). While the City of Lodi has elected to leave the Urban County group beginning in 2009/10, NSP funds are available to all participating jurisdictions in the 2008/09 Program Year, which allows Lodi to not only receive an initial allocation, but also to continue to access program income generated through the life of the NSP. The breakdown of funding within the Urban County jurisdiction is as follows:

<u>Local Agency</u>	<u>Allocation</u>	<u>% of Foreclosures</u>
Escalon	\$65,762	1.12%
Lathrop	\$645,663	11%
Lodi	\$577,908	9.85%
Manteca	\$1,116,956	19.03%
Ripon	\$119,567	2.04%
Tracy	\$1,888,164	32.17%
Unincorporated County	\$1,455,730	24.8%

APPROVED: _____
Blair King, City Manager

HERA requires that at least 25% of the funding provided in this program be targeted to benefit those families or individuals living at or below the very low-income level, or 50% of the Area Median Income (AMI) level. Since it is not likely that a family or individual at that income level could qualify for a home mortgage, those funds will likely be used to acquire and rehabilitate housing for affordable rental housing and to serve other needs within that income level such as transitional housing for homeless and for those at risk of becoming homeless. For San Joaquin County, that 50% AMI set-aside is \$2.257 million and will be pooled among the participating jurisdictions.

There are many elements of these program regulations and requirements that present a significant challenge to State and local jurisdictions. The most critical challenge is that the initial allocation of funding must be obligated within 18 months from the date that the Action Plan is adopted. At that 18 month deadline, any unobligated funding will be recaptured by HUD and redistributed to other jurisdictions with the greatest need that have demonstrated the ability to use the NSP funds in a timely manner.

The NSP funding is intended to remain available for reuse as program income is returned to the local agencies for only five years. Any NSP funding on hand and any program income generated after June 30, 2013, will revert to HUD.

Another challenge of this program's regulations is the requirement that properties be acquired at least 5% below their appraised value for an individual purchase and 10-15% below the appraised value for the aggregate of all purchases with NSP funding. In the current market, we are beginning to see competition from local investors who are buying up foreclosed properties and mortgage companies that may be hesitant to take additional loss.

Program Implementation

Representatives of each jurisdiction that serve on the CDBG Technical Advisory Committee (TAC) have met with San Joaquin County, which will act as the lead agency for the NSP, in order to review and approve the actions necessary to implement the program. The TAC has reviewed and approved the following in order to allow for the timely adoption of the revised Consolidated Plan/Action Plan by the December 1st deadline:

- Identified the acquisition, rehabilitation and re-sale of abandoned and foreclosed properties as the primary eligible use of NSP funding.
 - Individual jurisdictions can identify additional eligible uses and apportion their allocation of funds accordingly.
 - **For Lodi, our initial allocation is dedicated toward the primary eligible use. This will provide us with the greatest opportunity to expend the initial funding allocation within the first 18 months.**
 - **The Consolidate Plan/Action Plan can be amended at a later date to allow for additional eligible uses with the program income that is generated over the remainder of the program.**
- Identified the reuse of abandoned and foreclosed properties for affordable rental housing as the secondary eligible use of the NSP funding set-aside for 50% AMI.
- Identified the geographic areas within each jurisdiction where the funding will be targeted.
 - **For Lodi, the 95240 zip code (East of Ham Lane), in which over 70% of the foreclosed properties are concentrated. See attached map.**
- Revised Consolidated Plan/Action Plan to the Board of Supervisors on November 25th.
- Will solicit proposals from non-profit affordable housing developers for their participation in the program.
 - A reasonable Developer Fee amount has been established for any participating affordable housing developer.

The TAC will be responsible for oversight of program administration and future revisions to the Consolidate Plan/Action Plan through San Joaquin County. Locally, the responsibility for oversight of

program implementation will fall to the Community Improvement Manager. The personnel costs associated with both program implementation and time spent serving on the TAC are all reimbursable through the program. The scope of work carried out under this program is not expected to create any unusual demands on staff's time as it is a direct extension of the duties and responsibilities currently undertaken by the Community Improvement Manager.

FUNDING: Neighborhood Stabilization Funds \$577,908

Konradt Bartlam
Community Development Director

Attachments

